



# House of Representatives

General Assembly

**File No. 102**

February Session, 2008

House Bill No. 5156

*House of Representatives, March 20, 2008*

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT ALLOWING THE TRANSFERS OF TAX CREDITS TO INSURANCE COMPANY AFFILIATES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2008, and applicable to income years*
- 2 *commencing on and after January 1, 2008*) An insurance company or
- 3 health care center, as defined in section 38a-175 of the general statutes,
- 4 may transfer any credit allowed against the tax imposed by chapter
- 5 207 of the general statutes to an affiliate, as defined in section 38a-1 of
- 6 the general statutes, of the insurance company or health care center.
- 7 Such credit may be taken by any such affiliate only against the
- 8 affiliate's tax liability imposed under chapter 207 of the general
- 9 statutes. The Commissioner of Revenue Services shall not allow any
- 10 credit to an affiliate against such tax liability unless the insurance
- 11 company or health care center and affiliate have filed such information
- 12 as may be required on forms provided by the commissioner with
- 13 respect to any such transfer on or before the due date of the tax return
- 14 on which such credit would have been taken by the insurance

- 15 company or health care center if no transfer had been made by such  
16 insurance company or health care center.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008, and applicable to income years commencing on and after January 1, 2008</i>	New section

**INS**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Department of Revenue Services	GF - Revenue Loss	Potential Significant	Potential Significant

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

Permitting an insurance company or HMO to transfer an allowed premium tax credit to its affiliate could potentially result in a significant revenue loss to the General Fund from the Insurance Premiums Tax per year beginning in FY 09.

Currently there is over \$20 million in unclaimed credits<sup>1</sup> against the Insurance Premiums Tax, which would be eligible to be claimed by an affiliate under the provisions of the bill. The revenue loss will depend on how much of the credits could be claimed because the affiliates are only permitted to claim 70% of their total tax liability.

#### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

<sup>1</sup> Unclaimed credits may be carried forward for five years.

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**OLR Bill Analysis****HB 5156*****AN ACT ALLOWING THE TRANSFERS OF TAX CREDITS TO INSURANCE COMPANY AFFILIATES.*****SUMMARY:**

This bill permits an insurance company or HMO to transfer an allowed premium tax credit to its affiliate, who may use it toward its own premium tax liability. Under current law, the entity that earns a tax credit must be the one to use it.

It prohibits the revenue services commissioner from allowing the affiliate to claim the transferred credit unless the insurer or HMO and affiliate file any related information the commissioner requires by the due date of the tax return on which the insurer or HMO would have taken the credit if it had not transferred it to the affiliate.

EFFECTIVE DATE: July 1, 2008 and applicable to income tax years beginning on and after January 1, 2008.

**BACKGROUND*****Insurance Company for Premium Tax Purposes***

Under the premium tax law, "insurance company" means any corporation, limited liability company, association, partnership or combination of persons doing any kind or form of insurance business other than a fraternal benefit society (CGS § 12-201(4)).

***Affiliate***

By law, an "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person (CGS § 38a-1(1)).

***Tax Credits***

State law includes various tax credits that businesses may use against certain tax liabilities. Insurers are permitted to use several of those credits to reduce their premium tax liabilities.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 15 Nay 3 (03/06/2008)